

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6747

BILL NUMBER: HB 1847

DATE PREPARED: Jan 6, 2001

BILL AMENDED:

SUBJECT: Medicaid Payments to Certain Hospitals.

FISCAL ANALYST: Alan Gossard

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FUNDS AFFECTED: X GENERAL
DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation: This bill requires the Office of Medicaid Policy and Planning (OMPP) to determine the average of: (1) the rates paid for medical services provided by a hospital under OMPP's fee-for-service program; and (2) the highest rates paid for the same types of services by OMPP's managed care contractor to a hospital with which the managed care contractor has a contract. The bill also requires that a Lake County disproportionate share hospital, as well as other hospitals in the state, be reimbursed by OMPP's managed care contractor for services provided to certain Medicaid recipients at the average rates determined by OMPP.

Effective Date: January 1, 2001 (retroactive).

Explanation of State Expenditures: This bill specifies a rate-determination methodology for hospitals that do not have a contract with a managed care organization (MCO) in the Medicaid Risk-Based Managed Care (RBMC) program. The specified methodology may result in MCOs paying reimbursement rates to these providers that are different from those paid to hospitals that are currently contracted with the MCO. The bill will probably lead to higher General Fund expenditures to the state for two reasons: (1) potentially significant administrative costs to OMPP in determining the new rates, and (2) potentially higher negotiated capitation rates to managed care organizations to provide services to Medicaid recipients. The extent of the impact is unknown.

Background: The methodology to be used for hospitals without MCO contracts involves taking the midpoint of the reimbursement rates paid by MCOs for services provided under the capitated RBMC program and the reimbursement rates for the same types of services provided under OMPP's fee-for-service program. According to the bill, this survey and rate determination must be done on a statewide basis. Consequently, this would likely lead to significant administrative costs for OMPP.

Second, although the impact on MCOs in the Medicaid RBMC program is indeterminable at this time, the

likelihood is that MCOs will, on average, pay higher reimbursement rates to hospitals without existing contracts than they would without the provisions of this bill. To the extent that higher reimbursement rates paid by MCOs to their providers are ultimately reflected in higher capitation rates negotiated in the future between the MCOs and OMPP, there will be higher expenditures in the Medicaid program.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Office of Medicaid Policy and Planning.

Local Agencies Affected:

Information Sources: Kathy Gifford, OMPP, (317) 233-4455.